FINANCES OF GOVERNMENT OF INDIA : 1998-99[*]

The Union Budget (Final) 1998-99 presented on June 1, 1998[1] was formulated against the backdrop of a slowdown in the growth of real Gross Domestic Product (GDP) in 1997-98, sharp rise in fiscal deficit and external uncertainties. The real GDP growth for 1997-98 is estimated at 5.1 per cent as compared with 7.5 per cent achieved in 1996-97. The agricultural sector was expected to record a negative growth, while industrial growth decelerated to 4.2 per cent. Export sector recorded less than 3 per cent growth in dollar terms, its second successive slack performance. The other weak links in the economy are sluggish capital market and fragile infrastructure. The Economic Survey, 1997-98 has expressed grave concern over the continuing growth in fiscal deficit and infrastructural bottlenecks and underlined the need for placing the economy on a high growth trajectory of 7 to 8 per cent per annum. The Survey emphasised that the policy thrust should be on boosting export growth, reviving primary capital market, encouraging private and public investment to relieve infrastructure bottlenecks and boost demand for core industrial sectors, framing fiscal-monetary policies aimed at moderating real rates of interest and ensuring adequate availability of productive capital to industry.

The budget, having recognised the underlying need for ensuring macro-economic stability and sustained growth, aims at strengthening the foundations of the economy to deal with the unfavourable external environment, reversing the declining trend in agriculture, restoring the momentum of industrial growth, accelerating infrastructural development, expanding productive employment and giving impetus to social sector development, and also stimulating domestic savings and investment supplemented by foreign investment. The policy initiatives and taxation and expenditure measures proposed in the budget are towards the attainment of these objectives. As a measure of strengthening fiscal consolidation, the budget envisages to bring down ratio of fiscal deficit to GDP from 6.1 per cent in 1997-98 to 5.6 per cent in 1998-99. The revenue deficit-GDP ratio is projected to decline from 3.1 per cent to 3.0 per cent and the primary deficit ratio is budgeted to decline by 0.5 percentage point to 1.0 per cent in 1998-99. The basic objective of taxation measures proposed in the budget is to raise the tax-GDP ratio, mainly through broadening the tax base, while the expenditure policy is intended to strengthen Plan Outlay. Towards the objective of strengthening the federal fiscal relations, the budget has ratified the alternative scheme of sharing of Centre's tax revenue as recommended by the Tenth Finance Commission with some modification. The budget has also announced policy measures to improve rural sector, strengthen infrastructure and deepen financial sector reform.

This article is organised into four Sections. Section I provides the highlights of major policy changes proposed by the budget. Section II discusses briefly the revised estimates for the fiscal year 1997-98. Section III provides a summary of the 1998-99 budget. Section IV sets out the concluding observations.

Section I

Policy Initiatives

The budget has announced sector specific measures for subserving the objectives of macro-economic stability, enduring growth and further strengthening of the reform process.

1. Agriculture and Rural Development

Agriculture being the mainstay of the economy, the budget has proposed measures to improve the growth potential of the rural economy. Two areas of emphasis are Watershed Development Programmes and Accelerated Irrigation Benefit Programme. The Plan allocation under Watershed Development Programmes has been stepped up to Rs. 677 crore from Rs. 517 crore in 1997-98[2] and the provision for the Accelerated Irrigation Benefit Programme has been increased by 58 per cent. Allocation for the Accelerated Rural Water Supply Programme has been enhanced from Rs. 1,302 crore during 1997-98 to Rs. 1,627 crore in 1998-99 to provide safe drinking water to all rural habitations. Simultaneously, measures have been proposed to strengthen institutional setup to improve the rural economy. These, *inter alia*, include: (a) the setting up of Rural Infrastructure Development Fund (RIDF) phase IV with enhanced allocation of Rs. 3,000 crore. During the last three years, an amount of about Rs. 2,500 crore has been annually allocated to RIDF; (b) the share capital of National Bank for Agriculture and Rural Development (NABARD) has been stepped up by Rs. 500 crore in 1998-99; Government will allocate Rs. 100 crore from the budget and the RBI will contribute the balance Rs. 400 crore; (c) a provision of Rs. 265 crore has been made in the budget to carry forward the process of rehabilitation and recapitalisation of the Regional Rural Banks (RRBs).

2. Development of Small Scale Industry

Recognising the fact that the SSI sector is the major contributor to industrial sector production, exports and employment, the budget aims at strengthening credit flows to this sector. Presently, for SSI units requiring working capital up to Rs. 2 crore, the limit is determined by the banks on the basis of 20 per cent of their annual turnover. The budget has proposed to double the amount to Rs. 4 crore to fix the working capital limit. This apart, with a view to equipping Small Industries Development Bank of India (SIDBI) to play an effective role in SSI credit, the budget has proposed to delink SIDBI from Industrial Development Bank of India (IDBI). Simultaneously, IDBI's shareholding in State Finance Corporations (SFCs) will be transferred to SIDBI. In order to tackle the problem of delay in the realisation of dues to SSIs from large corporations, the existing mechanism of discounting of bills available to SSIs will be strengthened.

3. Investment and Infrastructure Development

Infrastructure development being the key to the overall economic growth, a major plank of the development strategy of the budget is to provide strong stimulus to infrastructure sector through large public and private investment in the infrastructure sectors. With an aim of boosting private investment including foreign investment, the budget proposed to further strengthen the delicensing process. New areas identified under delicensing process are coal and lignite and petroleum products. Foreign investment will be made investor friendly and procedures will be simplified.

To strengthen public investment on infrastructures, the Plan outlays for the key infrastructure sectors like energy, transport and communications have been enhanced from Rs. 45,252 crore in 1997-98 to Rs. 61,146 crore in 1998-99. The Government would also evolve a guarantee scheme to cover large outstanding dues from State Electricity Boards to major public sector undertakings such as NTPC and Coal India, to facilitate these enterprises in raising resources either through securitisation of these debts or by directly entering the market for tapping resources for funding larger projects in the power and coal sectors. The budget has also proposed to provide fiscal incentives and fund raising benefits to IDFC at par with other all India public financial institutions to enhance long-term finance for infrastructure investment in the private sector. Furthermore, provident funds being a potentially important source of funding for private sector infrastructure projects, the budget has proposed to provide some flexibility in the investment pattern prescribed for provident funds by allowing up to 10 per cent of the new accretion to be invested in private sector securities which have an investment grade rating from at least two credit rating agencies.

Government has decided to restructure the North Eastern Council (NEC) for speedy implementation of important infrastructural programmes in this region including Sikkim. A non-lapsable Central Resource Pool is proposed to be created for deposit of funds from all Ministries where the Plan expenditure on the North Eastern region is less than 10 per cent of the total Plan allocation of the Ministry. The difference between 10 per cent of the allocation and the actual expenditure incurred on the North Eastern region will be transferred to the Central Pool, which will be used for funding specific programmes for economic and social upliftment of the North Eastern States.

4. Financial Sector Reforms

The budget has envisaged to accelerate the speed of financial sector reforms for promoting savings, chanelling investment into the most productive activities and ensuring an efficient payments mechanism. Major policy measures announced, drawing heavily on the recommendations of the Second Report of the Narasimham Committee include the following: (a) Reduction in Non-Performing Assets (NPAs) averaging 9 per cent in 1996-97 to below 5 per cent by the year 2000-2001. The existing Debt Recovery Tribunals will be further strengthened and more Tribunals will be set up to cover all States. Banks having high NPAs will be encouraged, on an experimental basis, to establish Asset Reconstruction Companies, which will takeover the NPAs of the banks at their realisable value and swap them with special bonds to be held by the banks; (b) Developing a framework of prudential regulation and a supervisory system which will foster the development of a healthy financial system and also provide transparent disclosure norms leading to greater depositor awareness to enable the investors to take well informed investment decisions; (c) The minimum Capital Adequacy Ratio for banks would be raised from 8 per cent to 9 per cent by March 31, 2000 and further to 10 per cent as early as possible and (d) Opening the insurance sector to competition from private Indian companies to provide better insurance coverage to citizens and at the same time augmenting the flow of long term resources for financing infrastructure. It is proposed to convert the Insurance Regulatory Authority into a statutory body.

With a view to strengthening the capital market, the budget announced necessary amendment to the Securities Contracts (Regulation) Act to enable derivative instruments to be treated as securities. The Government has already approved the introduction of trading in stock index futures as a way of providing greater opportunity for hedging and inducing more liquidity into the capital market. The budget has proposed to allow Foreign Institutional Investor (FII) debt funds to invest in unlisted domestic debt securities also as against the existing provision for investing only in listed debt securities; the risk of default would be borne by the FIIs. The one time permission given last year to stock brokers to encourage modernisation of broker services to corporatise their businesses without attracting capital gains tax will be extended by one year. In order to encourage more public issues, the budget has proposed changes to extend the deductibility of expenses incurred on public issues by raising the deduction allowed from 2.5 per cent to 5 per cent of the cost of the project or the capital employed in the business of the company.

5. External Sector Measures

The steps initiated towards external sector are intended mainly to encourage NRIs to participate in the development process. The individual investment limit for NRIs is proposed to be raised from 1 per cent to 5 per cent and the aggregate limit for all NRI investments in a company from 5 per cent to 10 per cent. The Unit Trust of India will launch a new 'India Millennium Scheme' which will be opened for subscription in dollars only by NRIs. The money collected under this scheme would be invested in shares of Indian companies with high potential for growth and in high quality Indian debt. Further, the State Bank of India will be launching a new 'Resurgent India Bond' denominated in foreign currencies for subscription by NRIs. This would enable NRIs to contribute to the flow of resources for the country's development, especially for building up infrastructure. The bond will be fully repatriable and the government will extend tax concessions to this new bond similar to those currently available to NRI deposits.

Government has decided to repeal FERA and replace it with a new Foreign Exchange Management Act (FEMA), which would be consistent with the needs of a modern economy. The new Bill on FEMA has been introduced in the Parliament in August 1998. The Government proposes to bring an anti Money Laundering Bill before the House simultaneously with FEMA, to protect the society from the globally recognised and growing problem of money laundering.

6. Social Sector Measures

The budget provides special impetus to social sector development with particular emphasis on rural sector. The Plan outlay on rural development has been stepped up by Rs. 1,233 crore to Rs. 8,182 crore during 1998-99 over the previous year. Two areas of special emphasis accorded in the social sector are housing and education. To tackle the country's enormous housing shortage problem through partnership between Government, housing finance institutions and the private sector, 20 lakh additional dwelling units will be built this year with 13 lakh in rural areas and 7 lakh in urban areas. The budget allocation for the Indira Awas Yojana Programme is being substantially enhanced to Rs. 1,600 crore, from Rs. 1,144 crore in 1997-98. The capital base of the Housing and Urban Development Corporation (HUDCO) is being increased by Rs. 110 crore so that it may leverage more funds for housing construction. The budget has proposed to provide more fiscal concessions for promoting housing. These include extension of tax holiday for approved housing projects, enhanced deductions against income from house property and interest paid on borrowed capital for housing for income tax purposes.

In the education sector, Government plans to implement the Constitutional provision for making primary education free and compulsory up to fifth standard, and for girls up to the college level. The budget provides for a nearly 50 per cent increase in the total budgetary allocation to education, from Rs. 4,716 crore in 1997-98 to Rs. 7,047 crore in 1998-99. The Government plans to raise the total resource allocation for education to 6 per cent of GDP in a phased manner.

7. Fiscal Policy Reforms

(a) Expenditure Restructuring Measures

The budget has proposed three major policy measures intended towards decentralisation and restructuring of public expenditure. First, the Government has constituted a Special Task Force on Devolution of Powers to States, under the Chairmanship of Shri Bhairon Singh Shekhawat, to examine and recommend measures for devolution of additional financial powers to the States and additional or alternative means by which States can raise more resources. The Task Force has already submitted its first Report. The Government in consultation with the RBI is examining the recommendations. Secondly, the Government intends to eliminate the anomalies of classifying the expenditures into Plan and non-Plan components. The budget proposes to constitute a Task Force, including representatives of Planning Commission, Finance Ministry, Comptroller and Auditor-General of India and State Governments to examine these issues in a comprehensive manner and to make recommendations for a functionally viable and more focussed presentation of Government expenditure in the budget. Thirdly, another related problem highlighted by the budget is the proliferation of Central Sector and Centrally Sponsored Schemes over the years. The budget proposes to rationalise these areas with the objective of reducing overlaps and duplication, modifying procedures and norms and making them more easily accessible to the intended beneficiary.

(b) Public Sector Enterprises Reform

The budget has underscored the need for strengthening the process of disinvestment, privatisation and PSUs reform. In order to expedite the process of disinvestment, the Government has decided to disinvest specified portions of equity from IOC, GAIL, VSNL and CONCOR. The PSU restructuring policy emphasises the closure of unviable and constantly loss making units. To find a viable and satisfactory solution to large losses being incurred by some PSUs, the budget has proposed to provide a safety net to the workers of enterprises destined for closure by providing a liberal and attractive compensation package similar to the VRS package, prior to closure. A separate Restructuring Fund is being constituted for this purpose and these public sector enterprises will be advanced funds from the budget to offer a compensation package to the workers. The Government has also decided that the Government shareholding in public sector enterprises in non-core sectors will be brought down to 26 per cent. However, in cases of public sector enterprises involving strategic considerations, majority holding will be retained with the Government.

(c) Tax Policy Measures

The budget endeavours to continue the tax reform process both in the direct and indirect tax areas. The basic philosophy embedded in the budget proposals is that long-term stability in tax structure would lead to increased productivity, voluntary compliance and enhance tax widening efforts. The budget has, therefore, not proposed any changes in the existing rate structure for individual and corporate taxes. Instead, emphasis is made more on widening the tax base as well as plugging the loopholes to curb tax evasion. The major changes proposed in the budget are set out in the Box. The exemption limit for income tax has been raised from Rs. 40,000 to Rs. 50,000. Standard deduction for income up to Rs. 1 lakh has been enhanced from Rs. 20,000 to Rs. 25,000. However, income above Rs. 5 lakh has been excluded from this benefit. As a measure towards widening the tax base, the number of economic criteria for making filing of the income tax return obligatory on individuals has been increased from four evolved last year to six, such as ownership of an immovable property exceeding a specified floor area, ownership/lease of a motor vehicle, subscription of a telephone, foreign travel, holding of a credit card and membership of a club. Any individual fulfilling one out of the six criteria has to file the income tax return. A new initiative of making obligatory for assessees to quote their PAN or GIR number mandatorily in respect of certain high value transactions such as in immovable property, motor vehicles, share transactions, fixed deposits, bank accounts, new telephone connections and hotel expenses has been proposed. Other measures to curb revenue leakage include withdrawal of various concessions and exemptions that are found to be no longer necessary. The budget proposals announced are also intended to strengthen infrastructure by extending tax holiday to industrial undertakings in backward States/districts, encouraging house building activity by providing tax holiday to approved housing projects, extending infrastructure status to inland waterways and inland ports. On the indirect tax front, the budget has observed that the restructuring process initiated has resulted in progressive reduction in tariffs. This has also resulted in certain distortions and anomalies. The proposals in the budget are intended to rectify these anomalies by increasing the rates in respect of some commodities and reducing them in some other cases. In the case of excise, the objective is to introduce greater transparency in the system through a significant rationalisation of rates with the ultimate objective of a move towards a Central Value Added Tax (VAT) that can then be merged with a generalized VAT. The rate structure proposed is to gradually ensure convergence towards a mean rate of 18 per cent *advalorem*. In order to provide a level playing field to domestic industry the budget has imposed an additional non-modvatable levy of 8 per cent on imports[3] which is approximately equal to the burden of local taxes on domestic producers, with an exemption to crude oil, news print and capital goods sector under a special tariff regime. The reforms in excise duty structure are also intended to broad base the Maximum Retail Price (MRP) based excise duty introduced last year. The service tax net is also widened by including new services such as architects, cost accountants, real estate agents, credit rating agencies etc. The budget proposals also effected revision in the tariffs in respect of postal services.

The new budget proposals are expected to yield additional resources to the tune of Rs. 9,205 crore. The earnings from corporation tax would be Rs. 2,400 crore, custom duties Rs. 2,748 crore, Union excise duties Rs. 4,290 crore and negative earnings of Rs. 233 crore from service tax. The additional earnings from postal tariff revision is estimated at Rs. 272 crore in a full year and about Rs. 159 crore in 1998-99. The States' share in Centre's ARM is estimated at Rs. 1,780 crore and net collection accruing to the Centre from ARM amounts to Rs. 7,425 crore.

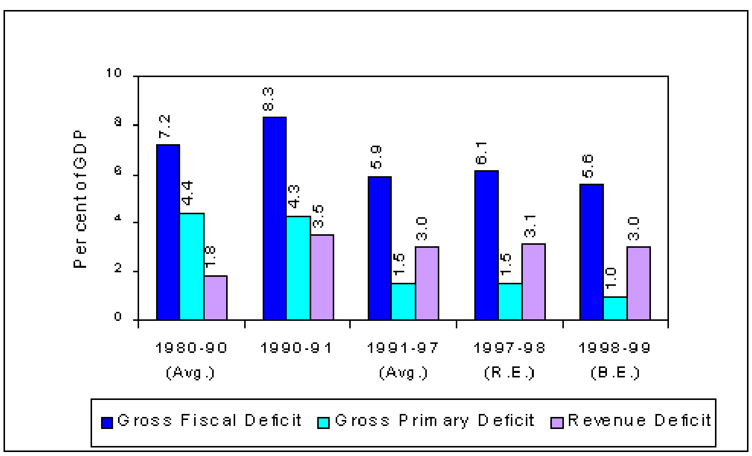
The Union Budget, 1998-99 has proposed a new scheme called *Samadhan* to mobilise additional revenue through settlement of disputed claims about tax payment which are under litigation. The scheme would apply to both direct and indirect taxes and offer waiver of interest, penalty and immunity from prosecution on payment of arrears of direct tax at the current rates. In respect of indirect tax, where the adjustment of rates has been very sharp in recent years, an abatement of 50 per cent of the duty would be available along with waiver of interest, penalty and immunity from prosecution. The *Kar Vivad Samadhan* Scheme has become operational since September 1, 1998, which will remain open up to December 31, 1998. Receipts under the *Samadhan* scheme will not be accounted for separately in the Union Budget, rather these receipts will be included under direct and indirect tax collections in the revised estimates for the fiscal 1998-99.

Section II
Revised Estimates : 1997-98

The process of fiscal consolidation suffered a major setback during 1997-98 with a sharp rise in resource gap as measured by major deficit indicators. Gross Fiscal Deficit (GFD) which measures the overall resource gap in the revised estimates rose sharply by Rs. 20,891 crore (31.9 per cent) to Rs. 86,345 crore (6.1 per cent of GDP) as against the budget estimates of Rs. 65,454 crore (4.5 per cent of GDP). Revenue deficit which reflects the extent of borrowing requirement to finance the current expenditure exceeded the budget estimates by Rs. 13,420 crore (44.3 per cent) to Rs. 43,686 crore (3.1 per cent of GDP) from Rs. 30,266 crore (2.1 per cent of GDP). As an indicator of sustainability of current fiscal operation, the primary balance, which was estimated at a surplus of Rs. 2,546 crore (0.2 per cent of GDP) in the budget estimates, turned into a whopping primary deficit of Rs. 20,645 crore (1.5 per cent of GDP) in the revised estimates (Table 7 and Graph 1). The monetary effects of the deteriorating fiscal situation were reflected in monetised deficit which increased sharply to Rs. 12,914 crore (0.9 per cent of GDP) at end-March 1998 as compared to Rs. 1,934 crore at end-March 1997 (0.2 per cent of GDP) as per RBI records.

The sharp deterioration in the fiscal position in the revised estimates emanated from a substantial shortfall in revenue collections (-Rs. 14,629 crore) and disinvestment receipts (-Rs. 3,894 crore) while aggregate expenditure turned out to be higher than budget estimates (+Rs. 3,069 crore). The shortfall in revenue was mainly under customs duties due to fall in the value of dutiable imports and Union excise duties due to deceleration in industrial production.

GRAPH 1 : CENTRAL GOVERNMENT'S DEFICIT INDICATORS

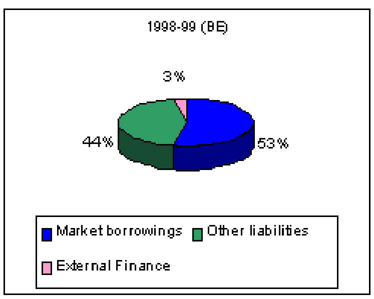


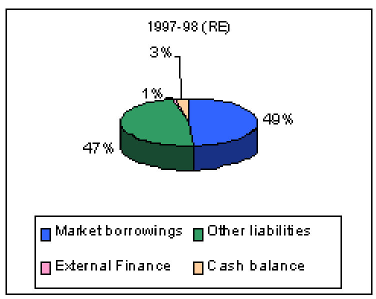
Revenue receipts during 1997-98 suffered a major setback. Tax collection was lower by Rs. 14,236 crore (-12.6 per cent) than the budget estimates. There was also a marginal shortfall of Rs. 393 crore (1.0 per cent) in non-tax revenue (Table 2). The sharp deterioration in tax collection stemmed from a marked decline in revenue mobilisation from major taxes. As mentioned above, custom duties fell short of the budget estimates by Rs. 11,550 crore due to deceleration in imports, particularly POL in terms of volume as well as unit value. Union excise duties collection was lower by Rs. 2,383 crore than the budget estimates. The shortfall in revenue collection was, however, modest in respect of income tax (Rs. 831 crore) and corporation tax (Rs. 500 crore).

The shortfall in revenue receipts was covered by higher level of borrowings. Capital receipts in the revised estimates at Rs. 96,731 crore increased by Rs. 17,698 crore (22.4 per cent). Almost 90 per cent of the capital receipts constituted market borrowings and other liabilities (Small Savings, provident funds, special deposits, etc.). Market borrowings in the revised estimates are substantially higher at Rs. 42,484 crore - an increase of 25.6 per cent over the budget estimates of Rs. 33,820 crore. The net accretion from small savings amounted to Rs. 25,478 crore in the revised estimates as against Rs. 14,000 crore estimated in the budget estimates (Table 3). As a result of the larger accretion under small savings, the autonomous expenditure of the Government in the form of loans to States and UTs also increased as seventy five per cent of the small savings are passed on to the States in the form of non-Plan loans. Thus, though 75 per cent of collection under small savings is passed on to States, any increase in small savings collection causes an increase in Centre's GFD. If expenditures under small savings are netted out, the GFD-GDP ratio in 1997-98 would come down to 5.8 per cent as against 6.1 per cent.

Budget estimates had projected that market borrowing would finance 51.7 per cent of GFD, other liabilities 44.6 per cent and external loans would finance 3.7 per cent of GFD. The actual outcome showed a decrease in the share of market borrowings to 49.2 per cent and increase in share of other liabilities to 46.7 per cent. The share of external finance declined to 1.4 per cent. The withdrawal of cash balance financed 2.7 per cent of GFD (Graph 2).

GRAPH 2 : FINANCING OF GROSS FISCAL DEFICIT OF THE CENTRE





The deterioration in revenue account affected adversely the availability of resources for capital outlays. While the budget estimates envisaged to utilise 46.0 per cent of GFD to finance revenue deficit, the revised estimates has placed revenue deficit - GFD ratio much higher at 50.6 per cent. With the result, the resources available for meeting capital outlay and net lending (which are generally investment expenditures) declined from 28.4 per cent and 32.7 per cent in the budget estimates to 21.6 per cent and 28.8 per cent, respectively, in the revised estimates. The revenue expenditure recorded a marginal decline (-0.7 per cent) mainly due to the decline in Plan revenue expenditure. The non-Plan revenue expenditure, however, continued to show rising trend. The major components that have contributed to the rise in non-Plan revenue expenditure were food and indigenous fertiliser subsidies (Rs. 1,860 crore), pensions (Rs. 1,632 crore), higher provision under pensions due to implementation of Fifth Pay Commission recommendations (Rs. 1,632 crore), and defence (Rs. 479 crore). The non-Plan revenue expenditure showed a rather subdued growth because of reduction in interest payments which in the revised estimates were lower by Rs. 2,300 crore (3.4 per cent) at Rs. 65,700 crore. Capital disbursements showed an increase of Rs. 4,277 crore (8.8 per cent) in the revised estimates. This was, however, mainly due to increased outgo under non-Plan loans to States and UTs in the wake of the spurt in small savings collection. Plan expenditure, was lower by Rs. 2,222 crore in the revised estimates than the budget estimates. The cut-back in Plan expenditure had adversely affected the budgetary support to Central Annual Plan. The Central Plan Outlay in the revised estimates was reduced by Rs. 10,806 crore to Rs. 81,033 crore from Rs. 91,839 crore.

Section III
Budget Estimates: 1998-99

The restoration of fiscal health being the major agenda, the budget envisages to bring down all the deficit indicators in relation to GDP during 1998-99 from the previous year levels. The ratio of gross fiscal deficit to GDP is targeted to decline from 6.1 per cent in 1997-98 to 5.6 per cent in 1998-99. The GFD in absolute term is, however, budgeted at Rs. 91,025 crore, which is higher by Rs. 4,680 crore over that of Rs. 86,345 crore in the revised estimates for 1997-98. The revenue deficit is projected at Rs. 48,068 crore (3.0 per cent of the GDP), an increase of Rs. 4,382 crore over that of Rs. 43,686 crore (3.1 per cent of GDP) for 1997-98. Gross primary deficit is estimated at Rs. 16,025 crore (1.0 per cent of GDP), lower by Rs. 4,620 crore as compared with Rs. 20,645 crore (1.5 per cent of GDP)in 1997-98 (Table 7 and Graph 1). The fiscal correction envisaged during 1998-99 budget is attempted through mobilisation of additional resources and containment of expenditures. Total expenditure at Rs. 2,67,927 crore is estimated to show a relatively lower growth of 13.9 per cent as compared to 17.0 per cent in the previous year, while revenue receipts at Rs. 1,61,994 crore are projected to record a higher growth of 17.0 per cent as against 9.7 per cent recorded in 1997-98. The pattern of expenditure and revenue mobilisation efforts envisaged in the budget are intended towards these objectives.

Pattern of Receipts

Revenue receipts estimated at Rs. 1,61,994 crore, would record a growth of Rs. 23,480 crore (17.0 per cent) as compared to a lower growth of 9.7 per cent in 1997-98 (Table 2). The tax receipts budgeted at Rs. 1,16,857 core would record a growth of Rs. 17,699 crore (17.8 per cent) which would contribute 75.4 per cent of the increase in revenue receipts. Non-tax receipts estimated at Rs. 45,137 crore would register an increase of Rs. 5,781 crore (14.7 per cent) and would contribute the remaining 24.6 per cent of the overall growth in revenue receipts. The budget has estimated gross tax receipts at Rs. 1,57,711 crore during 1998-99, which would represent a rise of Rs. 14,991 crore from Rs. 1,42,720 crore collected in the previous year. Of the increase of Rs. 14,991 crore in the gross tax revenue, Rs. 5,786 crore is out of the tax buoyancy at the existing rates of taxes and remaining Rs. 9,205 crore[4] from additional resource mobilisation measures through taxation measures envisaged in the budget (Box). Custom duties would contribute Rs. 7,148 crore followed by excise duties at Rs. 5,528 crore and corporate tax at Rs. 5,190 crore. Income tax collections are budgeted to show a decline of Rs. 650 crore over the revised estimates of Rs. 7,634 crore (inclusive of VDIS receipts). In terms of the tax-GDP ratio, it would, however, decline to 9.7 per cent from 10.1 per cent in 1997-98. It may be mentioned that tax-GDP ratio of 10.1 per cent in 1997-98 was inclusive of the revenue collection from Voluntary Disclosure of Income Scheme (VDIS), 1997 to the extent of Rs. 10,050 crore[5]. Excluding VDIS collection, tax-GDP ratio in 1997-98 was 9.4 per cent. Non-tax revenue is budgeted at Rs. 45,137 crore, an increase of Rs. 5,781 crore (14.7 per cent) over the revised estimates of Rs. 39,356 crore for 1997-98. A major portion of the growth in non-tax receipts will be realised from interest receipts (Rs. 2,627 crore) and dividends and profits (Rs. 1,511 crore). The net profits transferred to the Centre by the Reserve Bank are estimated to be higher at Rs. 4,200 crore as compared to Rs. 2,500 crore in the previous year. The net revenue receipts of the Centre (after netting out the States' share in Central tax) would finance 60.5 per cent of the aggregate expenditure which is an improvement over 58.9 per cent for the year 1997-98.

Capital receipts, are budgeted at Rs. 1,05,933 crore, recording a growth of Rs. 9,202 crore (9.5 per cent) over the revised estimates of 1997-98 and would finance 39.5 per cent of the aggregate expenditure as against 41.2 per cent in the previous year. The disinvestment proceeds (Rs. 5,000 crore), and recovery of loans (Rs. 9,908 crore) which together represent the non-debt capital receipts, are estimated to contribute 14.0 per cent of the capital receipts. Receipts from market borrowings and other liabilities, representing the debt components are estimated at Rs. 91,025 crore, representing 86 per cent of the total capital receipts. Net market borrowings (comprising normal, short term, medium and long term borrowings) budgeted at Rs. 48,326 crore would be higher by Rs. 5,482 crore over the previous year (Rs. 42,484 crore). Receipts from small savings, public provident fund and deposit scheme for retiring government employees are estimated to be lower at Rs. 21,640 crore by Rs. 3,838 crore than Rs. 25,478 crore in 1997-98. External assistance budgeted at Rs. 2,337 crore would show an increase of Rs. 1,136 crore (94.6 per cent) over that of Rs. 1,201 crore in the previous year (Table 3).

With larger reliance on market borrowings, the financing pattern of GFD would undergo marked changes. During 1998-99, market borrowings (both domestic and external) would finance 55.7 per cent of the GFD as against 50.6 per cent in 1997-98 and 41.2 per cent, on an average, during the first six years of the reform period (1991-97). Concurrently, the share of other liabilities in the financing of GFD would decline to 44.3 per cent from 46.7 per cent in 1997-98.

Pattern of Expenditure

The budget estimates place the aggregate expenditure at Rs. 2,67,927 crore recording a growth of Rs. 32,682 crore (13.9 per cent) over the revised estimates of 1997-98. The lower growth rate of 13.9 per cent during 1998-99 as compared to that of 17.0 per cent in 1997-98 is achieved through the compression in capital outlay. Revenue expenditure, budgeted at Rs. 2,10,062 crore, would record a growth of Rs. 27,862 crore (15.3 per cent) over the previous year. Almost 73 per cent (Rs. 20,221 crore) of the growth in revenue expenditure is on account of non-Plan revenue expenditure. Of the non-Plan revenue expenditure (Rs. 1,66,301 crore), interest payments (Rs. 75,000 crore) alone account for 45.1 per cent. The other non-Plan revenue components which show higher growth are defence expenditure (from Rs. 36,099 crore to Rs. 41,200 crore), subsidies (from Rs. 19,644 crore to Rs. 22,025 crore) [Table 7], and non-Plan grants to States and UTs (from Rs. 4,695 to Rs. 6,753 crore) [Table 2]. Interest payments during 1998-99 are estimated to be higher by Rs. 9,300 crore over the previous year. Nearly half of the rise in interest payments is accounted for by the higher interest payment under dated securities, while interest payments under Treasury bills, small savings, provident fund, etc., are estimated to be lower than the previous year (Table 4). Of the total increase of Rs. 2,381 crore in expenditure on subsidies, almost 63.0 per cent is accounted for higher provision under food subsidies (Rs. 9,400 crore). The non-Plan grants to States and UTs would show a rise of Rs. 2,128 crore. The stepup in grants to States is mainly towards meeting the pay and allowances of University and College teachers and towards grants under Tenth Finance Commission's award. Pension payments would record a modest increase of Rs. 459 crore due to enhancement in the age of superannuation from 58 years to 60 years.

Capital expenditure, comprising capital outlay and loans and advances, is budgeted to rise by Rs. 4,820 crore (9.1 per cent) to Rs. 57,865 crore as compared to a rise of 26.1 per cent in 1997-98. Of the total increase in capital expenditure, Rs. 4,595 crore (95.3 per cent) is due to capital outlay and Rs. 225 crore (4.7 per cent) on account of loans and advances. In the case of capital outlay almost 58.0 per cent (Rs. 13,492 crore) represents non-Plan capital outlay which is budgeted to increase by Rs. 2,680 crore. Of this, Rs. 1,457 crore is mainly towards meeting the IMF quota increase under the eleventh quota review and Rs. 1,063 crore as higher provision under defence outlay.

Central Plan Outlay

The Central Plan Outlay for 1998-99 has been budgeted at Rs. 1,05,187 crore, representing an increase of Rs. 24,154 crore (29.8 per cent) over the revised estimates for 1997-98 (Table 5). On the financing side, budgetary support is estimated to contribute Rs. 42,464 crore (40.4 per cent) and internal and extra budgetary resources (IEBR) of public sector enterprises are projected to contribute Rs. 62,723 crore (59.6 per cent) in 1998-99. Plan outlay for all sectors have been enhanced over the levels for 1997-98, the highest being energy, followed by science, technology and environment and agriculture and allied activities in percentage term. The share of energy in the Plan Outlay is budgeted to rise from 26.1 per cent to 28.6 per cent, communications from 13.7 per cent to14.1 per cent and social services in the Plan Outlay would increase from 15.0 per cent to 15.2 per cent. The share of transport, however, would decline from 16.0 per cent to 15.4 per cent and rural development from 8.6 per cent to 7.8 per cent.

Transfer of Resources to State and Union Territory Governments

Gross transfer of resources from the Centre to the State and Union Territory (UT) Governments, comprising shareable tax revenue, grants and loans are estimated at Rs. 98,194 crore in 1998-99, higher by Rs. 2,140 crore (2.2 per cent) over the revised estimates of Rs. 96,054 crore in 1997-98 (Table 6). The States' share in Central taxes and duties is budgeted to decline by Rs. 2,708 crore (6.2 per cent) to Rs. 40,854 crore in 1998-99 from Rs. 43,562 crore in 1997-98. It may be noted that during 1997-98, besides the normal sharing of taxes, an amount of Rs. 7,594 crore was given as the States' share from the total collections of Rs. 10,050 crore under the VDIS. The States' share in Central taxes and duties would, during 1998-99, show a 13.6 per cent increase over 1997-98 (when States' share under normal sharing of taxes and duties amounted to Rs. 35,968 crore). Total grants to States and the UTs are budgeted to increase by Rs. 4,843 crore (20.7 per cent), of which, non-Plan grants would increase by Rs. 2,111 crore (45.1 per cent) while Plan grants would increase by Rs. 2,732 crore (14.6 per cent). The Plan loans are budgeted to rise by Rs. 1,529 crore while the non-Plan loans would show a decline of Rs. 1,524 crore. The net transfer of resources to State and Union Territory Governments after adjusting for recovery of loans and advances is estimated at Rs. 90,288 crore as compared with Rs. 89,207 crore (including the VDIS collections) in the revised estimates for 1997-98.

Section IV

Concluding Observations

During the fiscal year 1997-98, the process of fiscal consolidation received a severe setback with the GFD-GDP ratio rising to 6.1 per cent as against 4.5 per cent envisaged in the budget estimates and 5.2 per cent in 1996-97. The revenue deficit at Rs. 43, 686 crore in the revised estimates, exceeded the budget estimates by nearly 45 per cent (Rs. 13,420) crore and its ratio to GDP increased to 3.1 per cent as compared with that of 2.6 per cent in 1996-97. The projected gross primary surplus of Rs. 2, 546 crore (0.2 per cent of GDP) in the budget estimates turned into a deficit of Rs. 20, 645 crore (1.5 per cent of GDP) in the revised estimates. The stress in the Central finances in 1997-98 was caused due to a substantial shortfall in tax revenue and disinvestment proceeds envisaged in the budget. On the other hand, the level of overall expenditure was only marginally higher than the budget estimates despite a sharp increase in wage bill following the implementation of Fifth Pay Commission recommendations. However, qualitatively some deterioration in the pattern of expenditure was evident. In the revenue account, there was cut back of Rs. 2, 252 crore in budgetary support to the Central plan, particularly in respect of heads such as education, social security and welfare and rural development. Similarly, under the capital account, there was a compression of Rs. 788 crore in the Plan expenditure. As a result, the Plan outlay of the Central Government for 1997-98 was scaled down by 11.8 per cent from the budgeted level. The scaling down of Plan outlay would have an adverse impact on economic growth and socio-economic services.

The budget has also proposed new measures to mobilise resources. The tax measures announced in the budget endeavour to provide continuity and further boost to the reform process. However, after the presentation of the budget, the Finance Minister rolled back some important tax measures. The loss of revenue on account of roll back of tax proposals has not been quantified; it is expected that the revenue loss would be made good by the buoyancy in tax revenue. Otherwise, the GFD would further widen necessitating additional market borrowings which would have adverse impact on interest rates and possible crowding out impact on private sector investments. The budget has also taken a credit of Rs. 5,000 crore for proceeds from disinvestments. The experience of last two years as regards realisation of disinvestment proceeds is not encouraging. However, the Government has formulated a restructuring programme for Public Sector Undertakings (PSUs) and it is expected that the process of disinvestment, privatisation and reform of PSUs would be strengthened which would be helpful in achieving the target for realisation of disinvestment proceeds. It is also expected that the *Kar Vivad Samadhan* scheme proposed in the budget would provide additional revenue to the exchequer.

While such *ad hoc* schemes like VDIS, *Samadhan* bring additional revenues, the sustained improvement in the finances could only be achieved from higher tax-GDP ratio through broad-based, simplified and efficient tax administration system. The proposal to introduce *'Saral'* tax return for individual tax payers would encourage more people to pay tax. The Government should also take steps to simplify the system of indirect taxes to reduce litigations and tax arrears.

*** Prepared in the Division of Fiscal Analysis of the Department of Economic Analysis and Policy.**

1 The Government had earlier on March 25, 1998 presented an interim Budget for the purpose of a Vote-on-Account to enable the Government to carry on its business and meet essential expenditure during the first four months of fiscal 1998-99.

2 All references to 1997-98 relate to Revised Estimates unless stated otherwise.

3 Subsequently reduced to 4 per cent.

4 Of the total estimated additional revenue mobilisation of Rs.9,205 crore through taxation measures, the States' share is estimated at Rs.1,780 crore and net amount that would accrue to the Centre is placed at Rs.7,425 crore. After the presentation of the budget, the Finance Minister rolled back some of the new levies *viz,* the increase in the prices of petrol and urea, reduction in the additional non-modvatable customs levies from 8 percent to 4 percent, exemption of some commodities from new excise duties, etc. As a result, the actual revenue from new levies could be lower than the original estimates. Further while replying the debate on finance bill in the parliament, the Finance Minister announced some concession in customs and Union excise duties which are estimated to show a revenue loss of Rs. 71 crore and Rs. 192 crore, respectively.

5 The collections under Voluntary Disclosure of Income Scheme (VDIS), 1997 were initially estimated to be Rs.10,050 crore and a provision of Rs.7,594 crore as the States' share was made in the revised estimates for 1997-98. However, the actual collection is reported to be about Rs.1,000 crore less and an adjustment of (-) Rs.750 crore is made in the share of States' share of VDIS in the budget estimates for 1998-99.

ANNEXURE I
CHANGES IN INDIRECT TAXES

A-CUSTOMS

ABBREVIATIONS

BCD: Basic Customs Duty SCD : Special Customs Duty ADC: Additional Duty of Customs

A. GENERAL

The First Schedule to the Customs Tariff Act, 1975 is being amended vide relevant clause of the Bill to give effect to the changes in rates of duties.

B. Major Proposals about customs duties are the following :

I SPECIAL ADDITIONAL DUTY OF CUSTOMS IMPOSED ON IMPORTS :

- A new section 3A inserted in the Customs Tariff Act, 1975 to impose Special Additional Duty of Customs on imported goods @ 8%.
- It will apply to all imports, except -

- Goods intended for trading.
- Gold and silver.
- Goods which are exempted from BCD as well as ADC.
- Newsprint, glazed newsprint and light weight coated paper upto 51 gsm imported by actual
- users for printing magazines.
- Crude petroleum.
- Goods imported under advance licensing scheme.
- Fertiliser projects.
- Coal mining projects.
- Power generation projects.
- Specified goods imported for setting up of a crude petroleum refinery.
- Specified telecom equipment.
- Goods subjected to Additional Excise Duty (in lieu of Sales tax)

- The duty will be computed on the aggregate of -

  - Assessable value.
  - Basic duty of customs.
  - Special duty of customs.
  - Additional duty of customs under section 3 of the Customs Tariff Act, 1975

- Special additional duty of customs comes into force with immediate effect.

- No drawback of special additional duty of customs will be admissible.

II ADDITIONAL DUTY OF CUSTOMS ON MOTOR SPIRIT (PETROL) :

- A new levy called "Additional Duty of Customs (Motor Spirit)" imposed on imported motor spirit (Petrol) at the rate of one rupee per litre.
- This will come into force from midnight of 1st and 2nd June, 1998.

III MAJOR CHANGES IN DUTY RATES :

Chapter No.	Description	CHANGE IN DUTY RATE FROM	TO
8	Dried grapes (Raisins) - BCD reduced	125%	120%
8	Dried grapes (Raisins) -Preferential rate reduced	115%	110%
13	Vegetable saps & extracts - BCD reduced	20%	10%
13	Pectic substances - BCD reduced	20%	10%
15	Wool grease etc. - SCD reduced	5%	0%
21	Compound alcoholic preparations of kind used for manufacture of beverages - BCD reduced and SCD exempted	190%	185%
22	Un-denatured ethyl alcohol - BCD reduced and SCD exempted	260%	245%
25	Whisky, rum, gin, vodka etc.- BCD reduced and SCD exempted	260%	245%
25	Strontium ore - BCD reduced	25%	10%
25	Spodumene ore - BCD reduced	25%	10%
25	Natural boron ore - BCD reduced	25%	10%
27	Crude Petroleum - BCD reduced	25%	20%
27	Kerosene imported for parallel marketing - BCD raised	0%	30%
28	Silicon in all forms for the manufacture of undiffused silicon wafer - BCD reduced	10%	5%
29	Methanol - BCD raised	20%	30%
29	Caprolactum - BCD reduced	30%	25%
29	Caprolactum - Preferential rate of BCD reduced	20%	15%
29	Maltol imported for manufacture of Deferiprone -BCD exempted	30%	0%
29	Paraxylene - BCD reduced and SCD exempted	10%	5%
29	Citric Acid - BCD increased	30%	40%
30	Lamivudine - BCD exempted	30%	0%
33	Mixtures of odoriferous substances and mixtures (including alcoholic substances)used in the food and drink industries - BCD reduced	190%	185%
34	Spin finish oils - BCD reduced	40%	30%
35	Hydroxyethyl starch (HES) for manufacture of artificial plasma - BCD reduced	30%	5%
37	Jumbo rolls of colour positive and colour negative films - BCD reduced	25%	10%
37	Photographic Chemicals - BCD increased	25%	30%
37	Instant print film in rolls and in flat - ADC reduced	18%	8%
38	Bio pesticides- viz. Bacillus Thuringiesis, Bacillus Thuringiesis Kurstaki and Bacillus Sphaericus - BCD reduced	30%	5%
38	Graphite synthetic imported for the manufacture of specified diamond tools - BCD reduced	30%	20%
39	Dextran for manufacture of artificial plasma - BCD reduced	30%	5%
39	Saddle tree - BCD reduced	30%	10%
44	Wood wool, wood flour - BCD reduced	30%	25%
44	Railway/ tramway sleepers of wood - BCD reduced	30%	25%
44	Wood Sawn - BCD reduced	30%	25%
44	Particle board of wood or other ligneous material - BCD increased	30%	40%
44	Fibre board of wood or other ligneous material - BCD increased	30%	40%
47	Wood pulp, rayon grade - BCD reduced	10%	5%
48	Light weight coated paper upto 51 gsm imported for printing of magazines by actual users - BCD reduced	20%	5%
48	Light weight coated paper upto 51 gsm imported for printing of magazines by actual users - SCD reduced	5%	0%
48	Light weight coated paper upto 51 gsm imported for printing of magazines by actual users - ADC reduced	18%	0%
48	Paper and paper board - BCD raised	20%	30%
48	Filter paper and paper board - BCD raised	20%	30%
48	Standard newsprint - BCD reduced	10%	5%
48	Glazed newsprint - BCD raised	0%	5%
49	Document of Title to use software - BCD exempted	20%	0%
51	Apparel grade raw wool - SCD reduced	5%	0%
51	Fine or coarse animal hair (not carded or combed) - SCD reduced	5%	0%
51	Waste of wool and fine or coarse animal hair including yarn waste and		

	garnetted stock - SCD reduced	5%	0%
54	Cuprammonium filament yarn - BCD reduced	30%	20%
69	Refractory bricks - SCD reduced	2%	0%
69	Other Refractory ceramic goods - BCD reduced and SCD exempted	40%	30%
71	Industrial diamonds (whether natural and synthetic) in dust and powder form - BCD reduced	30%	20%
71	Gold - BCD raised	Rs. 220 per 10 gm	Rs. 250 per 10 gm
72	Stainless steel scrap for melting purposes - BCD reduced	10%	5%
72	Cold rolled coils - BCD raised	25%	30%
73	Stainless steel capillary tubes, for manufacturing of disposable syringes and needles- BCD reduced	30%	10%
74	Copper wrought & copper articles - BCD raised	30%	35%
81	Magnesium - SCD reduced	5%	2%
81	Cobalt alloy / metal powder imported for manufacture of specified diamond tools - BCD reduced	30%	20%
84 (a)	Floppy disk drives, Hard disk drives and CD-Rom drives - BCD reduced and SCD exempted	10%	5%
84 (b)	Other storage devices - Different rate of BCD rationalised to a single rate	Varying rates	10%
84	Bearing housings incorporating ball or roller bearing with bore diameter more than 60 mm and parts thereof - BCD rationalised .	20%	10% + Rs. 80 per kg
84	Bearing housings incorporating ball or roller bearing with bore diameter upto 60 mm and parts thereof - BCD rationalised .	20%	10% + Rs. 150 per kg.
84	Textile machinery - for 25 new machinery - BCD reduced	20%	10%
84	Splitting machines for leather industry - BCD reduced and ADC exempted	20%	5%
84	Specified machinery and equipment for leather industry - BCD reduced	20%	5%
84	Membranes and machinery required for modernisation of caustic soda units based on membrane technology - BCD reduced	25%	10%
84	Spark ignition and compression ignition engines of a kind used for motor vehicles - BCD raised	20%	30%
84	Parts of spark ignition and compression ignition engines of a kind used for motor vehicles - BCD raised	20%	30%
84	Parts and accessories of computers - SCD reduced	5%	2%
85	Specified Telecom Equipment - SCD reduced	5%	2%
85	Parts of specified Telecom Equipment - BCD reduced	Varying rates	20%
85	Parts of specified Telecom Equipment - SCD reduced	5%	2%
85	Compact Disc mechanism - BCD reduced	40%	30%
85	Solar cells and modules for the manufacture of Photo.- Voltaic system - BCD reduced	30%	20%
85	Telecom software - BCD reduced	40%	30%
85	Button cells and raw material and parts required to manufacture button cells - BCD reduced	20%	10%
85	Parts of CNC system if imported for manufacture of CNC systems - BCD reduced	Varying rates	20%
85	Motors of output not exceeding 37.5W - BCD reduced	40%	20%
85	Electro mechanical hand tools for working with self-contained electric motor - BCD reduced	30%	20%
85	Integrated circuits of CIF value exceeding Rs.1000 per piece - BCD reduced and SCD exempted	10%	5%
85	CD-ROMs containing material of educational value - BCD reduced	10%	0%
85	Data / graphic display tubes for use in computer colour monitors - BCD reduced and SCD exempted	10%	5%
85	Deflection components for use in computer monitors - BCD reduced and SCD exempted	20%	5%
87	Crash fire tenders - ADC raised	0%	18%
91	Watches and clock movements - BCD reduced	25%	20%
98	Ship stores - Different rates of ADC rationalised to a single rate		

84.85 & 90	Capital goods used in semi-conductor manufacture - BCD reduced	Varying rates	18%
All	Raw materials imported for servicing of aircraft -	20%	10%
Chapters	Different rates of BCD rationalized to a single rate	Varying rates	3%

IV OTHER MAJOR CHANGES

- To extend the exemption from customs duty on specified road construction equipment for construction of all roads. So far, the exemption is available to construction of National Highways only.
- To authorise the Commissioners of Customs to condone certain procedural requirement in respect of drawback claims,
- Duty on specified textile yarn, fabrics and products and specified electronics goods covered by GATT/ITA bindings reduced.

V BAGGAGE:

- Free allowance raised from Rs. 6000 to Rs. 12000 per passenger returning from countries other than Nepal, Bhutan, Myanmar, or China when stay is more than three days.
- Free allowance of Rs. 3000 per passenger also allowed to passengers returning from Nepal, Bhutan, Myanmar or China by air when stay is more than three days.
- Foreign tourists permitted to bring articles for gifts upto Rs. 4000 without duty. So far this limit was Rs. 750.

VI CHANGES IN CUSTOMS ACT :

- The provisions of section 53,54 and 55 of the Customs Act,1962 amended so as to also allow for the transit and transhipment of the goods in the following circumstances :
  where goods have arrived in India at a land Customs station and are intended to be transhipped to another land customs station or to a port or airport outside India.
  Where goods have been carried in a conveyance other than a vessel or aircraft.
  Where goods that have arrived at a port or airport on a vessel or aircraft are required to be transhipped to a land Customs station.
- Section 25 of the Customs Act, 1962 amended to prescribe the date of effect of an exemption notification.
- Section 27 of the Customs Act being amended to provide for relevant date for grant of refund arising out of finalisation of provisional assessment.

VII SETTLEMENT COMMISSION :

- Legal provisions made in the Finance Bill for setting up of a settlement commission to settle certain categories of cases.

B - UNION EXCISE DUTIES

ABBREVIATIONS

AED: Additional Excise Duty **MODVAT: Modified Value Added Tax**

(Unless otherwise indicated, the excise duty rates refer to basic excise duty)

Major proposals about Central Excise duties are the following:

I. SSI EXEMPTION SCHEME:

The scheme of duty exemption for SSI units is being revised as follows

Clearance value	Present rate	Proposed Rate
Upto 30 lakhs	NIL	NIL
30 - 501akhs	3%*	NIL
50- 100 lakhs	5%*	5%
100-300 lakhs	Normal duty**	Normal duty*.
* without Modvat	** with Modvat	

- SSI exemption scheme is being extended to Computers.
- Unwrought copper alloys and sheets, plates and strips of copper falling under headings 74.03 and 74.09 have been excluded from the exemption scheme for SSI units.
- Special SSI exemption schemes applicable to tread rubber, air conditioning and refrigerating machinery and cosmetics are being continued.

II. MAJOR CHANGES IN DUTY RATES :

		CHANGE IN DUTY RATE	
Chapter No	**Description**	**FROM**	**TO**
4	Butter, branded	0%	8%
4	Cheese, branded	0%	8%
4	Ghee, branded	0%	8%
4	Milk powder, other than for infant use	0%	8%
9	Packaged tea, branded	0%	8%
9	Spices, branded	0%	8%
11	Malt	8%	13%
16	Preparations of meat, fish, etc., branded	0%	8%
21	Roasted chicory and coffee substitute	0%	8%
21	Edible preparations like sweetmeats, snacks, etc. and namkeens, if branded and manufactured in factories	0%	8%
21	Instant food mixes, branded	18%	8%
27	Motor spirit	20%	35%
28	Potassium iodate	18%	8%
30	Generic(unbranded) allopathic medicines	0%	8%
32	Writing inks	0%	18%
38	Graphite and clay mixture for making lead for pencils	18%	0%
38	Ready mix concrete	8%	0%
39	Cellophane	25%	18%
39	Resins of engineering plastics (ABS, SAN, etc.)	25%	18%
39	PVC compound	25%	18%
39	Certain articles of plastics - on clearances beyond Rs. 1 crore in a financial year and beyond Rs. 85 lakhs in 1998-99	0%	5%
39	Lay flat tubing	8%	0%
39	Jute articles made by pultrusion process	25%	0%
40	Tyres, tubes and flaps supplied for manufacture of electrically operated vehicles	8%	30%
40	Surgical and medical examination gloves of rubber	18%	8%
40	Specified tyres and tubes used on animal drawn vehicles or handcarts	0%	13%
40	Tyres, solid or cushioned and tyre flaps of rubber	25%	30%
44	100% wood free particle or fibre board made from agro-based residues	8%	0%
48	Security paper supplied to Security Printing Press, Hyderabad	18%	0%
48	Cartons, boxes, etc., but not of corrugated paper and paperboard	8%	13%

51 or 55	Shoddy yarn	5%	8%
51	Carded wool, used for making hand-spun yarn upto 10 counts ("Lefa.")	8%	0%
52	Grey cotton fabrics captively consumed by multi-locational composite mills	0%	5%
52,54, 55	Pleating or embossing of fabrics made from duty paid base fabrics		Varying rates 0%
54	Nylon filament yarn	30%	25%
54	Dyeing of filament yarn by non-integrated units	Rs.6 per Kg	Rs.9 per Kg
55	Grey fabrics (other than cotton) captively consumed by multi-locational composite mills	0%	12%
56	Jute felt	15%	0%
56	Imitation Zari (metallic yarn)	18%	0%
58	Embroidery in the piece, in strips or in motifs - compounded levy	Rs.30 per meter length of machine per shift	Rs.60 per meter length of machine per shift
59	Tyre cord fabrics - AED(in lieu of sales tax)	5%	Rs.10 per Kg.
59	Processed tyre cord fabric - AED (in lieu of sales tax), if made from duty paid gray fabrics	5%	0%
63	Jute blankets	8%	0%
68	Bricks and blocks containing flyash or phosphogypsum to the extent of 25% or more	8%	0%
68	Cement bonded particle boards	8%	0%
68	Jute particle boards	8%	0%
68	Rice husk boards	8%	0%
68	Glass fibre reinforced gypsum boards (GRG)	8%	0%
68	Sisal fibre boards	8%	0%
68	Bagasse boards	8%	0%
68	Bricks made from red mud, press mud or blast furnace slag	8%	0%
72	Parts of power driven pumps designed for handling water, when supplied to a manufacturer	15%	0%
72	Stainless steel circles cut on job work basis subject to specified conditions	15%	0%
73	Stainless steel coin blanks supplied by Salem Steel Plant to Government Mint	15%	0%
76	Aluminium ferrules (parts of lead pencils)	15%	0%
76	Aluminium pipes of certain specifications for sprinkler equipment	15%	8%
82	Knives of heading 82.11 and 82.14	15%	8%
82	Spoons, forks, ladles, etc., of heading 82.15	0%	8%
84	Electronic Pocket Calculators	18%	8%
84	Turbines for hydro-electric equipment of a capacity not exceeding 15 MW	0%	8%
84	Parts supplied for manufacture of electrically operated vehicles	8%	13%
84	Effluent treatment plants	13%	8%
84	Milking machinery and their parts	0%	8%
84	Dairy machinery and their parts	0%	8%
84	Sewing machines, other than hand operated	0%	8%
84	Diesel engine sets upto 10 HP	13%	8%
85	Software, other than computer software	18%	0%
85	Recorded audio cassettes	8%	0%
85	Video cassettes intended for television broadcasting	8%	0%
85	Unrecorded audio cassettes	8%	13%
85	Pagers	18%	13%
85	Batteries supplied for manufacture of electrically operated vehicles	8%	18%
85	Battery chargers supplied for manufacture of electrically operated vehicles	8%	13%
85	Switches, plugs, sockets etc. made without power (reduced rate to apply without Modvat)	13%	8%
86	Parts of railway wagons supplied by one unit to other unit of the		

	same manufacturer	15%	0%
87	Tractors of engine capacity not exceeding 1800 cc	0%	8%
87	Multiutility vehicles	25%	30%
90	Programmable process controllers	13%	18%
90	Medical equipment	5%	8%
90	Spectacle lenses	0%	8%
90	Intraoccular lenses	0%	8%
90	Contact lenses	0%	8%
90	Frames and mountings for spectacles and goggles or the like	0%	8%
90	Sunglasses, other than powered spectacles	8%	13%
90	Pollution control equipment	5%	8%
93	Arms and ammunitions, other than for military use	18%	25%
94	Medical, surgical, dental, veterinary furniture	8%	13%
96	Slide fasteners and their parts	0%	8%
96	Rubberised coir mattresses	0%	5%

SPECIFIC DUTIES:

- Cigarettes

24	(a) Non Filter Cigarettes -Not exceeding 60 mm in length	Rs. 90 per thousand	Rs.100 per thousand
	(b) Non Filter Cigarettes - Exceeding 60 mm in length but not exceeding 70 mm	Rs.350 per thousand	Rs.370 per thousand
	(c) Filter Cigarettes - Not exceeding 70 mm in length	Rs. 500 per thousand	Rs.550 per thousand
	(d) Filter Cigarettes - Exceeding 70 mm in length but not exceeding 75 mm	Rs.820 per thousand	Rs.900 per thousand
	(e) Filter Cigarettes - Exceeding 75 mm in length but not exceeding 85 mm	Rs.1100 per thousand	Rs.1200 per thousand
	(f) Filter Cigarettes - Exceeding 85 mm in length	Rs.1350 per thousand	Rs.1470 per thousand

- Matches

36	Match boxes of 50s produced in mechanised sector	Rs.2.70 per 100 boxes	Rs.2.40 per 100 boxes
	Match boxes of 50s produced in semi -mechanised sector	Rs.1.25 per 100 boxes	Rs.1.10 per 100 boxes
	Match boxes of 50s produced in middle sector	Rs.1.00 per 100 boxes	Rs.0.85 per 100 boxes
	Match boxes of 50s produced in cottage sector	Rs.0.50 per 100 boxes	Rs.0.25 per 100 boxes

- Marble

25	Marble slabs and tiles	Rs.30 per sq.mtr	Rs.40 per sq.mtr

III. SPECIFIC RATE OF DUTY ON COLOUR TELEVISION SETS

- Specific rates of duty fixed on Colour Television Sets in respect of which the M.R.P. is not marked on the package or when the M.R.P. is not the sole consideration for the sale:

Tariff rate	**Effective rate**

		(Rupees per set)
TVs of screen size upto 36 cm	2000	1500
TVs of screen size exceeding 36 cm but not exceeding 54 cm	3000	2400
TVs of screen size exceeding 54 cm but not exceeding 68 cm	4000	3500
TVs of screen size exceeding 68 cm	6000	5400

IV. ADDITIONAL DUTY OF EXCISE ON MOTOR SPIRIT (PETROL)

- A new levy called "Additional Duty of Excise(Motor Spirit)" imposed on motor spirit (petrol) at the rate of one rupee per litre.
- This will come into force from midnight of 1st and 2nd June,1998.

V. EXCISE DUTY BASED ON M.R.P.

- Section 4A of the Central Excise Act amended - it will not apply to goods sold under exchange schemes.
- M.R.P. based valuation is being extended to :

  - Chocolates in any form, including drinking chocolates
  - Preparations of malt, cereals, flour, starch or milk
  - Glazed tiles -
  - Cooking ranges and plate warmers
  - Razors and razor blades
  - Primary cells and primary batteries
  - Electro-mechanical domestic appliances with self contained electric motors
  - Shavers, hair clippers and hair removing appliances with self contained electric motors
  - Specified domestic electrical appliances
  - Radio sets including transistor sets
  - Electric filament or discharge lamps
  - Pan masala in packs of 10 gm and above.

VI. TARIFF VALUES

- Tariff values for pan masala revised:

	From	**To**
Upto 2gm	80p	Re.1
More than 2 gm but not more than 4 gm	Rs. 1.70	Rs. 2.00
More than 4 gm but not more than 10 gm	Rs. 5.00	Rs. 6.00

VII. CHANGES IN CENTRAL EXCISE ACT,1944

- Section 5A amended to prescribe the date of effect of an exemption notification.
- Section 9 being amended to provide for prosecution in cases of offenses related to incorrect availment of MODVAT credit.
- Section 11B being amended to provide for "relevant date" in respect of refunds arising from finalisation of provisional assessments.
- Section 35B being amended to provide that the second stage appeal in respect of MODVAT cases may lie with the Government of India by way of revision application. This would take effect from a date to be notified separately.

VIII. SERVICE TAX:

- Service tax abolished on:
- Services provided by the goods transport operators
- Services provided by Pandal or Shamiana contractors
- Services provided by outdoor caterers

Service tax @ 5% imposed on:

- Architects
- Interior decorators
- Management consultants
- Practising chartered accountants
- Practising cost accountants
- Practising company secretaries
- Real estate agents and real estate consultants
- Credit rating agencies
- Private security /detective agencies
- Market research agencies
- Underwriting agencies
- **Service tax imposed** on mechanised slaughter houses on slaughtering of bovine animals at Rs. 1000 per animal

IX. IMPORTANT LEGISLATIVE CHANGES IN CENTRAL EXCISE AND SERVICE TAX

- MODVAT credit is being restricted to ninety five percent of the duty paid on all the inputs received in the factory of the manufacturer of final products on or after 2nd June,1998. The restriction does not apply to capital goods.
- Simplified procedure is being prescribed for refund of excise duty paid on cars and vehicles used as taxis and ambulances.
- Chapter Notes are proposed to be amended in Chapters 69 and 70 of the schedule to the
- Central Excise Tariff Act to make the process of printing, decorating or ornamenting of specified ceramicware and glassware as 'manufacture'.
- Simplification of provisions relating to Service Tax.
- Provisions relating to prosecution in Service Tax cases abolished.

X. CHANGES IN MEDICINAL AND TOILET PREPARATION ACT,1955

- Duty on alcohol based toiletries levied by the Centre but collected by the States reduced from 100% to 50%

Xl. SETTLEMENT COMMISSION

- Legal provisions made in the Finance Bill for setting up of a Settlement Commission to settle certain categories of cases

ESTIMATED REVENUE EFFECT

Proposals relating to changes in Customs duties are estimated to result in net gain of Rs. 3304 crore in a financial year. Proposals relating to changes in excise duties result in a net gain of Rs. 4229 crore in a financial year. The new services introduced in the Budget are estimated to yield a revenue of Rs. 220 crore in a financial year. Revenue loss on account of abolition of Service tax n the three Services referred to above is estimated to be about Rs.410 crore in a financial year

The additional levy imposed on Motor Spirit (Petrol) is estimated to result in a gain of Rs. 790 crore in a financial year.

C-Memorandum showing the proposed revision of Postal Tariff (Vice Clause No. 121) of the Finance Bill (No.2), 1998

The maxima of the tariffs leviable for certain postal articles are prescribed by the First Schedule in the Indian Post Office Act, 1898. Within the maxima so prescribed in respect of such articles and in respect of other postal articles not included in the Schedule and other services, the Central Government have the power to fix the rates by notification in the Official Gazette by amending Indian Post Office Rules 1933 (Vide Section 7 of the Indian Post Office Act, 1898).

2. The proposals for revision of tariffs listed in the following table relating to postal articles of serial Nos. 1 to 4 require an amendment to the First Schedule of the Indian Post Office Act, 1898 and these have been included in the Finance Bill. These changes as also the revision of tariffs for other postal services would be made by amending Indian Post office Rules, 1933.

Sl.No.	**Item**	**Existing Tariff**		**Proposed Tariff**
1.	Competition Post Card	For a Competition Post Card	Rs. 2/-	Rs. 3/
2.	Letter Cards	For a Letter Card	Rs. 1/-	Rs. 1.50
3.	Letters	For a weight not exceeding 20 grams	Rs. 2/-	Rs. 3/-
		For every additional 20 grams or fraction thereof	Rs. 2/-	Rs. 3/-
4.	Parcels	For the first 500 grams or fraction thereof	Rs. 8/-	Rs. 10/-
		For every additional 500 grams or fraction thereof, in excess of 500 grams	Rs. 8/-	Rs. 10/-
5.	Registration	Fee for Registration	Rs.10/-	Rs. 12/-
6.	Insurance	Where the value of Insurance does not exceed Rs. 200/-	Rs.8/-	Rs. 10/-
		For every additional Rs.100/- or fraction thereof, in excess of Rs.200/-	Rs. 4/-	Rs. 6/-
7.	Acknowledgement	For an Acknowledgement	Rs. 1/-	Rs. 2/
8.	Money Order Form	For a Money Order Form	10 paise	25 paise

TABLE 1 : BUDGET AT A GLANCE

	Items	1996-97 (Accounts)	1997-98 (Budget Estimates)	1997-98 (Revised Estimates)	1998-99 (Budget Estimates)	Variation					
						Col.4 over Col.3		Col.4 over Col.2		Col.5 over Col.4	
						Amount	Per cent	Amount	Per cent	Amount	Per cent
	1	2	3	4	5	6	7	8	9	10	11
1	**Revenue Receipts (i+ii)**	**126,279**	**153,143**	**138,514**	**161,994**	**-14,629**	**-9.6**	**12,235**	**9.7**	**23,480**	**17.0**
	i) Tax Revenue (Net to Centre)	93,701	113,394	99,158	116,857	-14,236	-12.6	5,457	5.8	17,699	17.8
	ii) Non-tax Revenue of which:	32,578	39,749	39,356	45,137	-393	-1.0	6,778	20.8	5,781	14.7
	Interest Receipts	22,106	24,092	25,327	27,954	1,235	5.1	3,221	14.6	2,627	10.4
2	**Capital Receipts @**	**74,728**	**79,033**	**96,731**	**105,933**	**17,698**	**22.4**	**22,003**	**29.4**	**9,202**	**9.5**
	of which:										
	i) Normal Market Borrowings	4,025	4,070	4,070	..	-	-	45	1.1	-	-
	ii) Other Medium and Long term Borrowings	22,331*	29,750*	38,414*	48,326**	8,664	29.1	16,083	72.0	-	-
	iii) Recoveries of Loans	7,540	8,779	9,479	9,908	700	8.0	1,939	25.7	429	4.5
	iv) Disinvestment of equity in PSUs	455	4,800	906	5,000	-3,894	-81.1	451	99.1	4,094	451.9
	v) Issue of Bonus shares	-	-	1	-		-	-	-	-	-
3	**Total Receipts (1+2)**	**201,007**	**232,176**	**235,245**	**267,927**	**3,069**	**1.3**	**34,238**	**17.0**	**32,682**	**13.9**
4	**Revenue Expenditure (i + ii)**	**158,933**	**183,408**	**182,200**	**210,062**	**-1,208**	**-0.7**	**23,267**	**14.6**	**27,862**	**15.3**
	i) Non-Plan	127,298	145,854	146,080	166,301	226	0.2	18,782	14.8	20,221	13.8
	ii) Plan	31,635	37,554	36,120	43,761	-1,434	-3.8	4,485	14.2	7,641	21.2
5	**Capital Expenditure (i + ii)**	**42,074**	**48,768**	**53,045**	**57,865**	**4,277**	**8.8**	**10,971**	**26.1**	**4,820**	**9.1**
	i) Non-Plan	20,175	23,470	28,535	29,624	5,065	21.6	8,360	41.4	1,089	3.8
	ii) Plan	21,899	25,298	24,510	28,241	-788	-3.1	2,611	11.9	3,731	15.2
6	**Total Non-Plan Expenditure (4i + 5i)**	**147,473**	**169,324**	**174,615**	**195,925**	**5,291**	**3.1**	**27,142**	**18.4**	**21,310**	**12.2**
	of which :										

		2	3	4	5	6	7	8	9	10	11
	i) Interest Payments	59,478	68,000	65,700	75,000	-2,300	-3.4	6,222	10.5	9,300	14.2
	ii) Defence	29,505	35,620	36,099	41,200	479	1.3	6,594	22.3	5,101	14.1
	iii) Subsidies	16,125	18,251	19,644	22,025	1,393	7.6	3,519	21.8	2,381	12.1
7	**Total Plan Expenditure (4ii + 5ii)**	**53,534**	**62,852**	**60,630**	**72,002**	**-2,222**	**-3.5**	**7,096**	**13.3**	**11,372**	**18.8**
8	**Total Expenditure (6+7=4+5)**	**201,007**	**232,176**	**235,245**	**267,927**	**3,069**	**1.3**	**34,238**	**17.0**	**32,682**	**13.9**
9	**Revenue Deficit (4-1)**	**32,654**	**30,266**	**43,686**	**48,068**	**13,420**	**44.3**	**11,032**	**33.8**	**4,382**	**10.0**
10	**Gross Fiscal Deficit (8-(1+2iii+2iv+2v))**	**66,733**	**65,454**	**86,345**	**91,025**	**20,891**	**31.9**	**19,612**	**29.4**	**4,680**	**5.4**
11	**Gross Primary Deficit (10-6i)**	**7,255**	**-2,546**	**20,645**	**16,025**	**23,191**	**-910.9**	**13,390**	**184.6**	**-4,620**	**-22.4**
12	**Net Fiscal Deficit**	**46,394**	**44,046**	**61,459**	**66,344**	**17,413**	**39.5**	**15,065**	**32.5**	**4,885**	**7.9**
13	**Net Primary Deficit**	**9,022**	**138**	**21,086**	**19,298**	**20,948**	**15,179.7**	**12,064**	**133.7**	**-1,788**	**-8.5**
14	**Monetised Fiscal Deficit #**	**1,934**	**..**	**12,914**	**..**			**10,980**	**567.7**		

@ : Capital Receipts are net of repayments.
* : Including short - term borrowings.
* * : Including other medium and long - term and short - term borrowings.
\# : As per RBI records after the closure of Government Accounts.
(-) : Indicates surplus.
.. : Not available.
Source : Budget documents of Government of India, 1998-99.

TABLE 2 : TRANSACTIONS ON REVENUE ACCOUNT

(Rs.crore)

	Items	1996-97 (Accounts)	1997-98 (Budget Estimates)	1997-98 (Revised Estimates)	1998-99 (Budget Estimates)	Variation: Col.4 over Col.3 Amount	Col.4 over Col.3 Per cent	Col.4 over Col.2 Amount	Col.4 over Col.2 Per cent	Col.5 over Col.4 Amount	Col.5 over Col.4 Per cent
	1	2	3	4	5	6	7	8	9	10	11
1	**Revenue Receipts (A+B)**	**126,279**	**153,143**	**138,514**	**161,994**	**-14,629**	**-9.6**	**12,235**	**9.7**	**23,480**	**17.0**
A	**Tax Revenue (Net to Centre) (1 to 8)**	**93,701**	**113,394**	**99,158**	**116,857**	**-14,236**	**-12.6**	**5,457**	**5.8**	**17,699**	**17.8**
1	Corporation Tax	18,567	21,860	21,360	26,550	-500	-2.3	2,793	15.0	5,190	24.3
2	Taxes on Income other than Corporation Tax (Net)	4,715	6,009	5,178	6,984	-831	-13.8	463	9.8	1,806	34.9
3	Interest Tax	1,712	1,800	800	920	-1,000	-55.6	-912	-53.3	120	15.0
4	Customs Duty	42,851	52,550	41,000	48,148	-11,550	-22.0	-1,851	-4.3	7,148	17.4
5	Union Excise Duty (Net)	23,463	27,637	25,254	30,782	-2,383	-8.6	1,791	7.6	5,528	21.9
6	Taxes of UTs (Net of assignments to local bodies)	278	236	279	284	43	18.2	1	0.4	5	1.8
7	Other Taxes and Duties	2,115	3,301	2,831	3,189	-470	-14.2	716	33.9	358	12.6
8	Voluntary disclosure of Income Scheme 1997	-	-	2,456	-	-	-	-	-	-	-
B	**Non-Tax Revenue** of which	**32,578**	**39,749**	**39,356**	**45,137**	**-393**	**-1.0**	**6,778**	**20.8**	**5,781**	**14.7**
1	Interest Receipts	22,106	24,092	25,327	27,954	1,235	5.1	3,221	14.6	2,627	10.4
2	Dividends and Profits of which:	3,855	6,013	5,862	7,373	-151	-2.5	2,007	52.1	1,511	25.8
	Profits from RBI *	1,500	2,500	2,500	4,200	-	-	1,000	66.7	1,700	68.0
3	External Grants	1,190	1,100	1,170	1,054	70	6.4	-20	-1.7	-116	-9.9
4	Non-tax Receipts of UTs	271	265	317	331	52	19.6	46	17.0	14	4.4
II.	**Revenue Expenditure (A+B)**	**158,933**	**183,408**	**182,200**	**210,062**	**-1,208**	**-0.7**	**23,267**	**14.6**	**27,862**	**15.3**
A	**Non-Plan Expenditure** *of which:*	**127,298**	**145,854**	**146,080**	**166,301**	**226**	**0.2**	**18,782**	**14.8**	**20,221**	**13.8**
1	Interest Payments	59,478	68,000	65,700	75,000	-2,300	-3.4	6,222	10.5	9,300	14.2
2	Defence Revenue Expenditure	20,997	26,713	26,802	30,840	89	0.3	5,805	27.6	4,038	15.1
3	Major Subsidies	13,664	17,130	18,366	19,883	1,236	7.2	4,702	34.4	1,517	8.3
4	Non-Plan Grants to States and UTs	6,221	4,970	4,625	6,753	-345	-6.9	-1,596	-25.7	2,128	46.0
B	**Plan Expenditure (1+2)**	**31,635**	**37,554**	**36,120**	**43,761**	**-1,434**	**-3.8**	**4,485**	**14.2**	**7,641**	**21.2**
1	Central Plan	20,221	25,545	23,293	30,115	-2,252	-8.8	3,072	15.2	6,822	29.3
2	Central Assistance for State and UT Plans	11,414	12,009	12,827	13,646	818	6.8	1,413	12.4	819	6.4
III.	**Revenue Deficit (-) /Surplus(+) [I - II]**	**-32,654**	**-30,265**	**-43,686**	**-48,068**						

* : The surplus profits transferred by RBI to Government during 1997-98 and 1998-99 are placed at Rs. 5,263 crore and Rs.5,600 crore respectively. However, the Revised Estimates for 1997-98 and Budget Estimates for 1998-99 have shown a net transfer of Rs. 2,500 crore and Rs. 4,200 crore, respectively, after netting out the provision of Rs. 2,763 crore and Rs.1,400 crore, respectively, to meet the exchange loss liability which the Government has taken over from RBI on account of Foreign Currency Non-Resident Accounts Scheme for deposits maturing since July 1, 1993.

Source : Budget Documents of the Government of India, 1998-99.

TABLE 3 : TRANSACTIONS ON CAPITAL ACCOUNT

(Rs.crore)

Items	1996-97 (Accounts)	1997-98 (Budget Estimates)	1997-98 (Revised Estimates)	1998-99 (Budget Estimates)	Variation: Col.4 over Col.3 Amount	Col.4 over Col.3 Per cent	Col.4 over Col.2 Amount	Col.4 over Col.2 Per cent	Col.5 over Col.4 Amount	Col.5 over Col.4 Per cent
1	2	3	4	5	6	7	8	9	10	11
I. Capital Receipts @ (1 to 8)	**74,728**	**79,033**	**96,731**	**105,933**	**17,698**	**22.4**	**22,003**	**29.4**	**9,202**	**9.5**
1 Market Borrowings (i+ii+iii)	26,356	33,820	42,484	48,326	8,664	25.6	16,128	61.2	5,842	13.8
i) Normal Market Borrowings	4,025	4,070	4,070	. .	-	-	45	1.1	-	-
ii) Other Medium and Long - term Borrowings*	22,331**	29,750**	38,414**	. .	8,664	29.1	16,083	72.0	-	-
iii) Short- term borrowings (364-day Treasury Bills)	. .	. .	. .	. .	-	-	-	-	-	-
2 Small Savings, Public. Provident Funds etc	15,257	14,000	25,478	21,640	11,478	82.0	10,221	67.0	-3,838	-15.1
of which:										
Public Provident Funds	3,082	3,000	4,044	4,100	1,044	34.8	962	31.2	56	1.4
3 State Provident Funds	2,335	2,550	3,200	5,350	650	25.5	865	37.0	2,150	67.2
4 Special Deposits	6,162	10,006	8,984	9,495	-1,022	-10.2	2,822	45.8	511	5.7
5 Recovery of Loans and Advances	7,540	8,779	9,479	9,908	700	8.0	1,939	25.7	429	4.5
6 Disinvestment of equity holding in public sector enterprises	455	4,800	906	5,000	-3,894	-81.1	451	99.1	4,094	451.9
7 External Borrowings	2,987	2,435	1,201	2,337	-1,234	-50.7	-1,786	-59.8	1,136	94.6
8 Others @@	13,636 $	2,643	4,999#	3,877	2,356	89.1	-8,637	-63.3	-1,122	-22.4
II. Capital Expenditure (1+2)	**42,074**	**48,768**	**53,045**	**57,865**	**4,277**	**8.8**	**10,971**	**26.1**	**4,820**	**9.1**
1 Non-Plan Expenditure	20,175	23,470	28,535	29,624	5,065	21.6	8,360	41.4	1,089	3.8
of which:										
Defence Capital	8,508	8,907	9,297	10,360	390	4.4	789	9.3	1,063	11.4
2 Plan Expenditure (I+ii)	21,899	25,298	24,510	28,241	-788	-3.1	2,611	11.9	3,731	15.2
i) Central Plan	9,166	10,585	10,336	12,349	-249	-2.4	1,170	12.8	2,013	19.5
ii) Central Assistance for State and UT Plans	12,733	14,713	14,174	15,892	-539	-3.7	1,441	11.3	1,718	12.1
III. Capital Surplus(+)/Deficit(-) [I-II]	**+32,654**	**+30,265**	**+43,686**	**+48,068**						

@ : Capital Receipts are net of repayments.

@ @ : Comprises Reserve Funds, Deposits and Advances, Relief Bonds, etc.

* : Includes loans in conversion of Treasury bills and dated securities, Zero Coupon Bonds, Partially Paid Stocks, Floating Rate Bonds and Index Linked Bonds, etc.

* * : Including short - term borrowings .

$: Including 91-day Treasury bills amounting to Rs. 12,728 crore.

: Includes draw-down of cash balances of Rs. 2,324 crore.

. . : Not Available.

Source : Budget documents of Government of India, 1998-99.

TABLE 4 : INTEREST PAYMENTS BY THE CENTRAL GOVERNMENT

(Rs.crore)

Items	1992-93 (Accounts)	1993-94 (Accounts)	1994-95 (Accounts)	1995-96 (Accounts)	1996-97 (Accounts)	1997-98 (Revised Estimates)	1998-99 (Budget Estimates)

1		2	3	4	5	6	7	8
I.	Interest Payments on Internal Debt	13,541	15,588	19,168	22,179	27,233	31,459	38,260
	of which :							
	i) On Market Loans	8,147	9,258	13,205	15,400	19,125	22,189	26,564
	ii) On 91/182/364 days Treasury Bills	5,245	6,188	5,520	6,047	7,003	1,982	1,808
II.	Interest on External debt	3,529	3,724	4,026	4,414	4,223	4,150	4,192
III.	Interest on Small Savings, Provident Funds etc.	7,568	10,288	12,392	13,309	16,855	20,432	19,940
IV.	Interest on Special Deposits of Non-Government Provident Funds etc.	5,868	6,648	7,921	9,222	10,246	8,615	9,400
V.	Interest on Reserve Funds	159	170	220	253	378	510	547
VI.	Interest on Other Obligations	410	323	333	668	543	534	2,661
	Total Interest Payments (I to VI)	**31,075**	**36,741**	**44,060**	**50,045**	**59,478**	**65,700**	**75,000**

Source: Finance Accounts of Government of India and Budget documents of Government of India, 1998-99.

TABLE 5 : CENTRAL PLAN OUTLAY BY HEADS OF DEVELOPMENT

(Rs.crore)

	Items	1996-97 (Revised Estimates)	1997-98 (Budget Estimates)	1997-98 (Revised Estimates)	1998-99 (Budget Estimates)	Variation Col.4 over Col.3 Amount	Col.4 over Col.3 Per cent	Col.4 over Col.2 Amount	Col.4 over Col.2 Per cent	Col.5 over Col.4 Amount	Col.5 over Col.4 Per cent
	1	2	3	4	5	6	7	8	9	10	11
1	Agriculture	2,620	2,969	2,756	3,864	-213	-7.2	136	5.2	1,108	40.2
		(3.4)	(3.2)	(3.4)	(3.7)						
2	Rural Development	6,664	7,691	6,949	8,182	-742	-9.6	285	4.3	1,233	17.7
		(8.6)	(8.4)	(8.6)	(7.8)						
3	Irrigation and Flood Control	815	323	268	374	-55	-17.0	-547	-67.1	106	39.6
		(1.1)	(0.4)	(0.3)	(0.4)						
4	Energy	19,601	24,234	21,129	30,082	-3,105	-12.8	1,528	7.8	8,953	42.4
		(25.3)	(26.4)	(26.1)	(28.6)						
	of which :										
	a) Power	6,596	8,079	7,423	10,905	-656	-8.1	827	12.5	3,482	46.9
		(8.5)	(8.8)	(9.2)	(10.4)						
	b) Petroleum	10,528	12,384	10,915	14,733	-1,469	-11.9	387	3.7	3,818	35.0
		(13.6)	(13.5)	(13.5)	(14.0)						
5	Industry and Minerals	10,145	11,200	10,771	11,551	-429	-3.8	626	6.2	780	7.2
		(13.1)	(12.2)	(13.3)	(11.0)						
6	Transport	14,384	15,016	12,985	16,186	-2,031	-13.5	-1,399	-9.7	3,201	24.7
		(18.6)	(16.4)	(16.0)	(15.4)						
7	Communications	10,075	13,361	11,137	14,878	-2,224	-16.6	1,062	10.5	3,741	33.6
		(13.0)	(14.5)	(13.7)	(14.1)						
8	Science, Technology and Environment	1,837	2,177	1,965	2,766	-212	-9.7	128	7.0	801	40.8
		(2.4)	(2.4)	(2.4)	(2.6)						
9	Social Services*	10,041	13,817	12,115	16,010	-1,702	-12.3	2,074	20.7	3,895	32.2
		(13.0)	(15.0)	(15.0)	(15.2)						
10	Others	1,336	1,051	958	1,294	-93	-8.8	-378	-28.3	336	35.1
		(1.7)	(1.1)	(1.2)	(1.2)						
	Total (1 to 10)	**77,518**	**91,839**	**81,033**	**105,187**	**-10,806**	**-11.8**	**3,515**	**4.5**	**24,154**	**29.8**
		(100.0)	**(100.0)**	**(100.0)**	**(100.0)**						
	To be financed by :										
1	**Budgetary Support**	**30,104**	**36,130**	**33,629**	**42,464**	**-2,501**	**-6.9**	**3,525**	**11.7**	**8,835**	**26.3**
		(38.8)	**(39.3)**	**(41.5)**	**(40.4)**						
2	**Internal and Extra Budgetary Resources (IEBR) of Public Sector Enterprises, etc.**	**47,414**	**55,709**	**47,404**	**62,723**	**-8,305**	**-14.9**	**-10**	**0.0**	**15,319**	**32.3**
		(61.2)	**(60.7)**	**(58.5)**	**(59.6)**						

Note : Figures in brackets represent percentage to total.
* : Provisions for Indira Awas Yojana and National Social Assistance Programme made under Social Services Sector are included in Rural Development Sector.
Source : Budget documents of Government of India, 1998-99.

TABLE 6 : RESOURCES TRANSFERRED TO STATES AND UNION TERRITORY GOVERNMENTS

(Rs.crore)

	Items	1996-97 (Accounts)	1997-98 (Budget Estimates)	1997-98 (Revised Estimates)	1998-99 (Budget Estimates)	Variation Col.4 over Col.3 Amount	Per cent	Col.4 over Col.2 Amount	Per cent	Col.5 over Col.4 Amount	Per cent
	1	2	3	4	5	6	7	8	9	10	11
A.	**States' Share in Central Taxes and Duties (a+b+c)**	**35,061**	**40,254**	**43,562**	**40,854**	**3,308**	**8.2**	**8,501**	**24.2**	**-2,708**	**-6.2**
a)	Income Tax	13,516	15,691	13,522	14,696	-2,169	-13.8	6	-	1,174	8.7
b)	Voluntary Disclosure of Income Scheme, 1997	-	-	7,594	-750	-	-	-	-	-	-
c)	Union Excise Duties	21,545	24,563	22,446	26,908	-2,117	-8.6	901	4.2	4,462	19.9
B.	**Total Grants (i+ii)**	**23,545**	**23,352**	**23,380@@**	**28,223**	**28**	**0.1**	**-165**	**-0.7**	**4,843**	**20.7**
i)	Plan	17,229	18,302	18,696	21,428	394	2.2	1,467	8.5	2,732	14.6
ii)	Non-Plan @	6,316	5,050	4,684	6,795	-366	-7.2	-1,632	-25.8	2,111	45.1
C.	**Total Non-Plan Loans ***	**10,606**	**11,396**	**15,817**	**14,293**	**4,421**	**38.8**	**5,211**	**49.1**	**-1,524**	**-9.6**
	of which :										
	Loans against Small Savings, etc. Collections	10,606	11,300	15,732	14,200	4,432	39.2	5,126	48.3	-1,532	-9.7
D	**Plan Loans (i+ii)**	**13,424**	**13,863**	**13,295**	**14,824**	**-568**	**-4.1**	**-129**	**-1.0**	**1,529**	**11.5**
i)	Assistance for State & Union Territory Plans**	. .	13,706	13,128	14,623	-578	-4.2	. .	. .	1,495	11.4
ii)	Assistance for Central & Centrally Sponsored Plan Schemes	. .	157	167	201	10	6.4	. .	. .	34	20.4
E.	**Gross Transfers (A to D)**	**82,636**	**88,865**	**96,054**	**98,194**	**7,189**	**8.1**	**13,418**	**16.2**	**2,140**	**2.2**
F	**Recovery of Loans & Advances ***	**5,478**	**6,674**	**6,847**	**7,906**	**-6,674**	**2.6**	**1,369**	**25.0**	**1,059**	**15.5**
G	**Net Resources Transferred to State and Union Territory Governments (E-F)**	**77,158**	**82,191**	**89,207**	**90,288**	**7,016**	**8.5**	**12,049**	**15.6**	**1,081**	**1.2**

@ : Inclusive of subsidies released through States.
@ @ : Excluding States' share in proceeds of VDIS 1997 Rs. 7,594 crore.
* : Net of recovery of short-term loans and advances.
** : Excludes provisions for Union Territories without Legislature, Rural Electrification Corporation and North Eastern Council.
. . : N. A.
Source : Budget documents of the Government of India, 1998-99.

TABLE 7 : KEY FISCAL INDICATORS

(Rs. crore)

	Items	1991-92 (Accounts)	1992-93 (Accounts)	1993-94 (Accounts)	1994-95 (Accounts)	1995-96 (Accounts)	1996-97 (Accounts)	1997-98 (Revised Estimates)	1998-99 (Budget Estimates)
	1	2	3	4	5	6	7	8	9
1	Conventional Deficit/Drawing down of Cash Balances	6,855 (1.1)	12,312 (1.7)	10,960 (1.4)	961 (0.1)	9,807 (0.9)	13,184 (1.0)	2,324 (0.2)	- (-)
2	Gross Fiscal Deficit	36,325	40,173	60,257	57,704	60,243	66,733	86,345	91,025

		(5.9)	(5.7)	(7.4)	(6.0)	(5.4)	(5.2)	(6.1)	(5.6)
3	Revenue Deficit	16,261	18,574	32,716	31,029	29,731	32,654	43,686	48,068
		(2.6)	(2.6)	(4.0)	(3.2)	(2.7)	(2.6)	(3.1)	(3.0)
4	Monetised Deficit #	5,508	4,257	260	2,130	19,855	1,934	12,914	N. A.
		(0.9)	(0.6)	(..)	(0.2)	(1.8)	(0.2)	(0.9)	(-)
5	Gross Primary Deficit	9,729	9,098	23,516	13,643	10,198	7,255	20,645	16,025
		(1.6)	(1.3)	(2.9)	(1.4)	(0.9)	(0.6)	(1.5)	(1.0)
6	Net Primary Deficit	8,961	11,644	24,331	12,050	10,806	9,022	21,086	19,298
		(1.5)	(1.6)	(3.0)	(1.3)	(1.0)	(0.7)	(1.5)	(1.2)
7	Subsidies	12,253	11,995	12,682	12,932	13,372	16,125	19,644	22,025
		(2.0)	(1.7)	(1.6)	(1.3)	(1.2)	(1.3)	(1.4)	(1.4)
	of which :								
	i) Food	2,850	2,800	5,537	5,100	5,377	6,066	7,900	9,400
		(0.5)	(0.4)	(0.7)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)
	ii) Fertiliser	5,185	5,796	4,562	5,241	6,235	5,906	7,426	6,983
		(0.8)	(0.8)	(0.6)	(0.5)	(0.6)	(0.5)	(0.5)	(0.4)
	iii) Export	1,758	818	665	658	318	20	440	500
		(0.3)	(0.1)	(0.1)	(0.1)	(..)	(..)	(..)	(..)
8	Defence Expenditure	16,347	17,582	21,845	23,245	26,856	29,505	36,099	41,200
		(2.7)	(2.5)	(2.7)	(2.4)	(2.4)	(2.3)	(2.6)	(2.5)
9	Interest Payments	26,596	31,075	36,741	44,060	50,045	59,478	65,700	75,000
		(4.3)	(4.4)	(4.5)	(4.6)	(4.5)	(4.7)	(4.6)	(4.6)
10	Total Non-Plan Expenditure	80,453	85,958	98,191	113,361	131,901	147,473	174,615	195,925
		(13.0)	(12.2)	(12.1)	(11.8)	(11.8)	(11.5)	(12.3)	(12.1)
11	Budgetary Support to Public	6,920	6,576	7,451	8,205	6,418	6,834	7,555	8,600
	Enterprises @	(1.1)	(0.9)	(0.9)	(0.9)	(0.6)	(0.5)	(0.5)	(0.5)
12	Direct Taxes (Net to Centre)	10,103	12,075	12,522	18,409	22,287	25,374	30,144	34,909
	As per cent of total tax revenue	(20.2)	(22.3)	(23.4)	(27.3)	(27.2)	(27.1)	(30.4)	(29.9)
13	Indirect Taxes (Net to Centre)	39,966	41,969	40,927	49,045	59,652	68,327	69,014	81,948
	As per cent of total tax revenue	(79.8)	(77.7)	(76.6)	(72.7)	(72.8)	(72.9)	(69.6)	(70.1)
14	Interest Receipts	10,933	12,487	15,078	15,797	18,419	22,106	25,327	27,954
		(1.8)	(1.8)	(1.9)	(1.6)	(1.6)	(1.7)	(1.8)	(1.7)
15	Interest Payments as per cent of revenue receipts	40.3	41.9	48.7	48.4	45.4	47.1	47.4	46.3
16	Revenue Deficit as per cent of Gross Fiscal Deficit	44.8	46.2	54.3	53.8	49.4	48.9	50.6	52.8
17	Monetised Deficit as per cent of Gross Fiscal Deficit	15.2	10.6	0.4	3.7	33.0	2.9	15.0	-

\# : According to Reserve Bank of India Records.
@ : Figures relate to revised estimates for all years except 1998-99.
. . : Negligible.
Note : Figures in brackets are per cent to GDP.
Source : Budget documents of the Government of India,1998-99.